

Financial Performance Measures

Cash Management

▪ **Payment Performance** – In fiscal year 2000, GPO continued its strong payment performance by paying contractors within the discount period when it was to the government's advantage. GPO took prompt pay discounts amounting to \$8.1 million - an increase of \$1.4 million from fiscal year 1999. GPO's total purchased printing expense for fiscal year 2000 was \$519 million after deducting prompt payment discounts of \$8.1 million. The resultant 1.6 percent of discounts taken to net purchased printing exceeded the 1.4 percent goal set for the year. Our goal for fiscal year 2001 remains at 1.4 percent.

Discounts lost increased to \$288,000 in fiscal year 2000 from \$250,000 in fiscal year 1999. The percentages of discounts lost to discounts offered were 3.4 percent and 3.6 percent in fiscal years 2000 and 1999, respectively. We did not achieve our goal set for fiscal year 2000, which was a maximum of 2.5 percent. However, we are installing an automated workflow invoice processing system which should reduce lost discounts. Our goal for fiscal year 2001 remains at 2.5 percent.

▪ **Electronic Payments** – The use of electronic funds transfer (EFT) payments results in savings for GPO and the Department of the Treasury because paper checks do not have to be produced and processed. In fiscal year 2000, approximately 25,800 monthly payments, or 94 percent, of all GPO payments were made by EFT, compared with 30,100 monthly payments, or 95 percent of all payments in fiscal year 1999. Our goal for fiscal year 2000 to increase the percentage of EFT payments of total payments was not met. Our goal for fiscal year 2001 is to increase EFT payments to 97 percent of all GPO payments.

Debt Management

▪ **Federal Receivables** – In fiscal year 2000, GPO billed Federal agencies \$782.3 million for printing and binding services. Of this amount, \$603.0 million, or 77.1 percent, was collected using the Department of Treasury's On-Line Payment and Collection (OPAC) system. This is a significant increase from 1999, when 65.4 percent of GPO collections were through OPAC.

The improvement in GPO's collections in fiscal year 2000 is due principally to the continuation of the May 1999 agreement between GPO and Defense Automated Printing Service to use Treasury's OPAC system to simultaneously bill and collect certain Department of Defense (DoD) invoices for printing and publishing services. In addition, GPO made a concentrated effort to collect unpaid manual invoices issued prior to the use of OPAC. GPO continues to offer agencies the option to pay their bills by credit card.

In fiscal year 2000, GPO's average monthly receivables more than 90 days overdue were \$10.8 million, or 58.0 percent of the monthly average of outstanding receivables. DoD, with an average monthly balance of \$7.5 million more than 90 days overdue (52.0 percent of all of GPO's delinquent receivables), was GPO's largest delinquent account. At the end of fiscal year 2000, DoD owed GPO \$496,000 for billed, completed work that was between 31 and 60

days overdue, \$548,000 that was between 61 and 90 days overdue, and \$5.1 million that was more than 90 days overdue. While the amount due over 30 days from DoD totaled \$6.1 million, it represents a 41 percent improvement from the prior year's \$10.3 million balance due to increased use of the Treasury's OPAC system.

GPO accounts receivables due from other agencies were further reduced as agencies expanded their use of GPO Printing and Binding Deposit Accounts. At the end of the year there were over 138 deposit accounts valued in excess of \$54 million. Deposit accounts allow agencies to prepay for their printing, which greatly simplifies customer agencies accounting. It also has the added benefit of providing detailed customer account information through the Internet, which is maintained under secure conditions and can be downloaded or printed out by agencies.

Management Comments on GPO Financial Statements

GPO's consolidated financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) used by commercial enterprises in the United States of America. GAAP requires that financial statements be prepared on the accrual basis of accounting. Accrual accounting dictates that expenses are recorded when incurred, and revenues are recorded when earned, regardless of when cash is disbursed or received. GAAP also requires that accounting principles used be applied in a manner consistent with that of the previous year. Management believes that the accompanying financial statements provide information on all events and economic affairs controlled by the GPO in conformity with established regulations, procedures, and promulgated accounting principles.

GPO's accounting system includes internal controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly recorded. To ensure that adequate internal controls are maintained, management monitors the systems that provide management data, and initiates modifications or improvements deemed necessary to promote operational efficiencies and encourage adherence to prescribed managerial policies.

▪ Operating Issues

GPO's mission is to assist Congress and Federal agencies in the cost-effective creation and replication of information products and services, and to provide effective and economical public access to government information. GPO strives to operate and manage its resources efficiently and to achieve steady gains in productivity.

There has been a steady decline in recent years in traditional ink-on-paper printing and binding in the Federal government. GPO's operations and performance measures reflect this reduction. GPO has downsized from 8,500 employees in fiscal year 1976 to 3,178 at September 30, 2000. GPO's In-House Printing workforce has also been reduced and redeployed. GPO will continue to embrace technological improvements that contribute to efficient operations.

Neither Congress nor GPO can accurately forecast the printing workload that may be required to support and record the legislative process. In those years where congressional printing

requirements exceeds the funding provided, GPO uses its authority to temporarily fund the shortfall through the Revolving Fund. In the majority of years, funding has been adequate. However, in fiscal year 2000 the funding needed to provide Congress with its printing services exceeded the annual appropriation and transfer authority by an estimated \$9.9 million in obligations. In the past, such shortfalls have been paid-down using subsequent appropriations. The Congressional Operations Appropriation Act of 2001 requires the Clerk of the House of Representatives to conduct a study of the printing requirements of the House of Representatives and authorizes appropriations to the Clerk of the House for the printing needs of the House of Representatives, beginning in fiscal year 2003.

Management believes that GPO's Printing Procurement Program continues to be the best acquisition service for the Federal printing dollar. The Program offers the advantage of a centralized staff of technical experts to ensure that the printing requirements are met at the lowest price available. Customer orders are offered, via the competitive bid process, to a large network of commercial printing firms to obtain best price. From large jobs, the size of the DeCennial Census, to a one-page leaflet, GPO's Printing Procurement staff has been able to fulfill the needs of its customers on a timely and cost effective basis, as shown continually in their performance measures. This program, as with other print-on-paper operations, must continually look for ways to reduce costs and increase efficiency in an environment of declining demand.

For some time, GPO's Sales Program has been feeling the impact of the revolutionary changes in the dissemination of government information. As agencies have increasingly resorted to the Internet and other non-print methods of publishing, the Sales Program has seen a decline in both sales volume and in the number of salable titles available. The Sales of Publications Operations revenue of \$45.5 million declined from fiscal year 1999 revenue of \$50.8 million. This is a continuation of a trend that began in fiscal year 1995, when revenue was \$80 million. As a result, the Sales Program is not fully recovering its cost of operations. This is important because the Sales Program receives no appropriated funds, and must recover costs to keep going. The Superintendent of Documents is working on short and long-term strategies to deal with this situation, including price increases, cost-cutting measures, new methods of increasing public awareness of the products available; and an analysis of where a predominantly print-sales operation will fit into the increasingly electronic future of government publishing. The Superintendent of Documents is also exploring the possibility of forming partnerships with dot.com booksellers to increase the availability of sales items.

The pace of change in the Federal Depository Library Program (FDLP) accelerated dramatically in fiscal year 2000, caused by a combination of emerging technologies used by Federal publishing agencies and funding constraints imposed on the GPO. The emerging Electronic FDLP is increasingly based on managing an Electronic Collection (EC). This is done through updated versions of several of our traditional functions: to identify, evaluate, select, organize, and catalog government information products in all formats, and assure that they remain permanently accessible to the public. These services will continue and are critical elements of our EC management activities.

In fiscal year 2000, more FDLP business was conducted with depositories via the Internet.

Although some libraries are finding it expedient to leave the depository program, there is still strong commitment to public service among the more than 1,300 libraries that remain part of the FDLP. Indeed, depository libraries are helping to build and use the FDLP Electronic Collection; 95 percent meet minimum technical requirements and more than 1,000 have web-based catalogs. However, there is still a significant tangible products component in the FDLP, and a large amount of resources remain devoted to the acquisition, classification, format conversion, cataloging, and distribution of tangible products.

▪ Fiscal Year 2000 Financial Results

The public printing and documents chapters of Title 44, United States Code, require GPO to fulfill the printing needs of the Federal government and distribute government publications to the public. GPO activities are financed through a Revolving Fund, which is reimbursed by payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Superintendent of Documents Salaries and Expenses Appropriation. These two annual appropriations are used to reimburse GPO for costs incurred while performing congressional work and fulfilling statutory requirements associated with the distribution of government publications, respectively. Reimbursements from the appropriations to the Revolving Fund are recorded as revenue, and unexpended appropriations are returned to the U.S. Treasury after 5 years.

GPO experienced a consolidated net loss of \$115,000 in fiscal year 2000, compared with a \$5.0 million net loss in fiscal year 1999. In fiscal year 2000, the net income was reduced by a \$3.6 million charge to increase the estimate for the long-term Workers' Compensation Liability (Notes 2K and 8). Revenues increased by \$42.5 million (5.6 percent) overall, while expenses increased by \$37.6 million (4.9 percent).

An analysis of operations by major operating areas shows that Printing and Binding Operations had net income for the year of \$12.0 million (including a one-time contribution of \$2.5 million provided by appropriated funds to offset expenses incurred for Y2K remediation). The Sales of Publications Operations revenue of \$45.5 million declined by \$5.3 million, or 10.4 percent when compared to fiscal year 1999 revenue of \$50.8 million.

The Sales of Publications Program lost \$12.2 million in fiscal year 2000 and \$9.2 million in fiscal year 1999, for a total of \$21.4 million. As a result of these losses, there is a cumulative deficit of \$16.8 million in the Equity Account for the Sales of Publications Operations at September 30, 2000, as shown below and on the Consolidating Balance Sheet by Fund Type, in millions:

Printing and Binding Operations Equity	\$206.8
Sales of Publications Operations Equity	(16.8)
Total Revolving Fund Equity	<u>\$190.0</u>

The Equity for the Sales of Publications Operations represents the accumulated deficit since fiscal year 1993. Due to statutory restrictions that required earnings to revert to the U.S. Treasury, the Sales of Publications Operations Program was unable to accumulate retained earnings until 1993. Prior to 1993, over \$17 million was returned to the Treasury as required

by statute, and over \$28 million was used to fund Salaries and Expenses operation as required by Congress.

A summary of revenues and net income (loss) in each GPO major operation is shown below.

GPO's Major Operations (Unaudited)

(Dollars in thousands)				
	2000		1999	
	Revenues	Net Income (Loss)	Revenues	Net Income (Loss)
Revolving Fund:				
Printing and binding operations:				
Purchased printing-				
Central	\$330,619	\$3,160	\$306,537	\$924
Regional	226,993	(2,912)	207,070	(6,547)
Subtotal	557,612	248	513,607	(5,623)
In-house printing-				
Central	195,830	12,351	190,961	10,181
Regional	1,217	(755)	1,250	(761)
Subtotal	197,047	11,596	192,211	9,420
Other	2,020	174	2,281	598
Subtotal of printing and binding operations	756,679	12,018	708,099	4,395
Information dissemination:				
Sales of publications	45,479	(12,218)	50,812	(9,247)
Agency distributions	5,215	85	4,866	(193)
Subtotal	50,694	(12,133)	55,678	(9,440)
Appropriations:				
Salaries and expenses	29,983	-	33,163	-
Congressional printing and binding	81,064	-	76,554	-
Subtotal	111,047	-	109,717	-
Total before eliminations	918,420	(115)	873,494	(5,045)
Eliminations (1)	(110,892)	-	(108,497)	-
Total after eliminations	\$807,528	(\$115)	\$764,997	(\$5,045)

- (1) The eliminations include revenue recognized by one area of the GPO for products or services produced or provided to another area of GPO. In order to avoid reporting the expense and revenue for intra-company transactions, eliminating entries must be made. In fiscal year 2000, major eliminations included printing work charged to the Congressional Printing and Binding Appropriation (\$81.1 million), publications printed for the Sales of Publications Program for resale to customers (\$12.9 million), and printing for programs funded by the Salaries and Expenses Appropriation (\$13.5 million).

▪ **Fiscal Year 2001 Projections**

GPO projects breakeven operations for fiscal year 2001. GPO estimates that revenue and expenses will decrease from fiscal year 2000 figures, particularly in Printing and Binding Operations. This program will decrease because fiscal year 2000 included the printing of materials for the Decennial Census which generated about \$70 million in additional revenue and expenses.

GPO expects to operate at less than the congressionally mandated full-time equivalent ceiling of 3,285 for fiscal year 2001, with no degradation in core products and services. This is possible primarily to efficiencies from recent investments in new technology and on-going automation efforts.

GPO will continue to develop and employ efficient business practices and production processes to contain costs, and emphasize cost-effective methods of providing customer agencies and the public with government information and dissemination services.